



The Corporation of the Town of Tecumseh

Financial Services

To: Mayor and Members of Council

From: Tom Kitsos, Director Financial Services & Chief Financial Officer

Date to Council: October 12, 2021

Report Number: FS- 2021-13

Subject: Ontario Infrastructure and Lands Corporation (OILC) Borrowing 2021

Recommendations

It is recommended:

That borrowing upon 2.00% (estimated) 5-year amortizing debenture in the Principal amount of \$537,500 and upon 2.5% (estimated) 10-year amortizing debenture in the Principal amount of \$78,500 for the financing of County Road 11 Sanitary Sewer constructions costs for 2021 **be approved;**

And that By-laws No. 2021-78 and 2021-79 **be adopted** to authorize the Mayor and Director Financial Services to issue a 5-year amortizing debenture and 10-year amortizing debenture for \$537,500 and \$78,500 respectively, in the name of Ontario Infrastructure and Lands Corporation.

Background

Council passed By-law 2011-103 North Talbot Road Outlet Sewer, Charges and Connection By-law, which imposed a charge upon property owners benefitting from the provision of sanitary sewers in the North Talbot Road Sanitary Sewer Outlet Area.

Subsequently, Council approved By-law 2012-17 for the borrowing of up to \$4,000,000 from the Ontario Infrastructure and Lands Corporation (OILC) for the financing of the North Talbot Road Sanitary Sewer Outlet Area construction costs for the period 2012-2018.

The original term of the Financing Agreement with OILC was May 1, 2012 to May 1, 2017 and was amended in July 2017 to extend the Facility Termination Date to June 30, 2021 by way of Amending Agreement No. 1.

The term of the Financing Agreement was further extended to December 31, 2021 by way of Amending Agreement No. 2, as recommended in Council report FS-2021-07 with accompanying By-law 2021-44.

Property owners will be charged an interest rate of cost of borrowing plus 0.75% for five-year debentures. For those assessed owners where a five-year term would cause undue hardship, the term is extended to 10 years at an interest rate of cost of borrowing plus 1.25%. (RCM-99/12)

Borrowing to date is \$1,488,100 and \$239,000 for five and ten year debentures respectively for a total of \$1,727,100 of the authorized \$4,000,000.

Comments

Total recovery for the County Road 11 works is \$1,131,620 from 25 properties. Property owners for nine (9) of the properties have requested to debenture a total of \$537,500 over a five (5) year period and one (1) property owner has requested to debenture \$78,500 over a ten (10) year period, for a total amount to be debentured of \$616,000. This represents 54% of the total recovery.

Administration recommends issuing a five-year debenture and 10-year debenture to the OILC in amounts of \$537,500 and \$78,500 respectively.

Annual Repayment Limit (ARL)

As part of the original OILC applications, the Treasurer advised Council of the impact the borrowing would have on the ARL. Ontario Regulation 403/02 Section 4 requires that the Council of a municipality, seeking to incur long-term debt and/or financial obligations for which repayments extend beyond the term for which the Council is elected, shall have its Treasurer calculate an updated ARL to determine if Ontario Land Tribunal approval is required.

The Town's Annual Repayment Limit, as per the latest Ministry of Municipal Affairs and Housing (MMAH) calculation at year-end 2019, is \$7,244,582. The Updated Limit calculation of the ARL, taking into consideration long-term debt issued and expired since that point in time, and providing for the long-term debt recommended in this report is \$7,382,542.

The Town's current annual debt repayment of \$1,739,000 plus the addition of the estimated annual repayment resulting from the issuance of the County Road 11 debentures of \$123,000 totals \$1,862,000 and is well within the Updated Limit. The approval of the Ontario Land Tribunal is not required.

OILC Debentures

Through a review of financing options, Administration has determined the best available rates are through OILC. All debentures issued by the Town since 2005 have been with OILC as their rates have proven to be lower than other available sources.

The current estimated five-year debenture rate offered by OILC is 2.00% with 10-year offering at 2.50%. The actual rate may vary based on market conditions at the time of issuance.

Consultations

None

Financial Implications

The total amount required for the financing of County Road 11 Sanitary Sewer Extension construction costs for 2021 is \$616,000.

Net interest income generated over the term of this debt issuance will be used to offset legal and administrative costs. This amount is expected to be between \$4,500 to \$5,000 for 2022. Total estimated net interest income generated over the term of the five-year debentures and 10-year debentures combined is between \$17,000 and \$18,000.

Link to Strategic Priorities

Applicable	2019-22 Strategic Priorities
<input type="checkbox"/>	Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.
<input checked="" type="checkbox"/>	Ensure that Tecumseh's current and future growth is built upon the principles of sustainability and strategic decision-making.
<input type="checkbox"/>	Integrate the principles of health and wellness into all of Tecumseh's plans and priorities.
<input type="checkbox"/>	Steward the Town's "continuous improvement" approach to municipal service delivery to residents and businesses.
<input type="checkbox"/>	Demonstrate the Town's leadership role in the community by promoting good governance and community engagement, by bringing together organizations serving the Town and the region to pursue common goals.

Communications

Not applicable ☒

Website ☐ Social Media ☐ News Release ☐ Local Newspaper ☐

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Tom Kitsos, CPA, CMA, BComm
Director Financial Services & Chief Financial Officer

Recommended by:

Margaret Misek-Evans, MCIP, RPP
Chief Administrative Officer

Attachment Number	Attachment Name
None	